GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:762
ANSWERED ON:22.11.2002
RECOMMENDATION OF 11TH FINANCE COMMISSION
RAGHUVANSH PRASAD SINGH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Tenth and Eleventh Finance Commissions have recommended assistance to all the States of the country under local body item;

(b) if so, whether the Union Government had accepted the recommendation of both the commissions and reported it to the Parliament;

(c) if so, whether said amount has the year 1996-97 has been given to Bihar and Jharkhand;

(d) if so, the details thereof;

(e) whether the amount of Rs. 625 crore earmarked for the State of Bihar for the year 1997-2001 is still outstanding with the Centre;

(f) if so, whether this amount is under unspent provision;

(g) if so, the reasons for non-payment of this amount even after Panchayat election in Bihar; and

(h) the time by which the Government will pay the outstanding amount?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) & (b): Yes, Sir. However, the recommendations of the Eleventh Finance Commission (EFC) were accepted by the Union Government with the condition that in cases where elected local bodies are not in place, the Central Government shall hold the share of such bodies in trust on a non-lapsable basis during 2000-2005. With the acceptance of EFC's Report on Additional Terms of Reference, the unutilized amount under specific purpose grants, including local bodies grants, due to non-fulfillment of conditionalities, would ultimately lapse to Central Government at the end of 2005-06.

(c) to (h): The Tenth Finance Commission (TFC) had recommended total grants of Rs. 507.19 crore for panchayats and Rs. 67.09 crore for urban local bodies to be provided to the then undivided State of Bihar during the period 1996-97 to 1999-2000. PRI grant amounting to Rs. 126.80 crore and ULB grant of Rs. 16.77 crore had been released to the State Government during 1996-97.
As per the guidelines issued by Ministry of Finance, the local body grant recommended by the TFC was part of a larger Constitutional scheme of devolution of functions & responsibilities from the State to local bodies with mandatory elections so that they could function as effective units of local self-government. Hence, the grants were to be released only in respect of elected local bodies wherever such elections were mandatory under the Constitution. Since the due elections to local bodies in Bihar had not been held during the TFC period 1995-2000, balance of TFC grants for the period 1997-2000 could not be released to the State Government. Entitlements to grants recommended by any Finance Commission lapse after the period of its recommendations get over.
The PRI grant for the year 2000-01 recommended by EFC have been released to the Government of Bihar.